

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Jessamine County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$433,870 from the beginning of the year, resulting in a cash surplus of \$6,615,520 as of June 30, 2003.

Debt Obligations:

Capital lease principal agreements totaled \$1,597,771 as of June 30, 2003. Future principal and interest payments of \$2,221,161 are needed to meet these obligations. The Administrative Office of the Courts will provide \$1,576,400 in principal and interest payments for the courthouse annex.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Jessamine County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Jessamine County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Jessamine County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances as of June 30, 2003, of Jessamine County, Kentucky, and the revenues received and expenditures paid and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Jessamine County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2003, on our consideration of Jessamine County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Jessamine County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 23, 2003

JESSAMINE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

William Neal Cassity	County Judge/Executive
Bobby Day Wilson	Magistrate
Tim Vaughan	Magistrate
John Nickell	Magistrate
George Dean	Magistrate
Duane McCuddy	Magistrate
Terry Meckstroth	Magistrate

Other Elected Officials:

Brian Goetl	County Attorney
Frank Hubbard	Jailer
Eva L. McDaniel	County Clerk
Doug Fain	Circuit Court Clerk
Joe Walker	Sheriff
Robert Thompson	Property Valuation Administrator
Bobbie Ballard	Coroner

Appointed Personnel:

Tami Cravens	County Treasurer
Judy Miller	Occupational Tax Collector

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

JESSAMINE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Types</u>	<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	<u>\$ 6,471,501</u>	<u>\$ 244,008</u>	<u>\$ 86,428</u>	<u>\$ 6,801,937</u>
Total Assets	<u>\$ 6,471,501</u>	<u>\$ 244,008</u>	<u>\$ 86,428</u>	<u>\$ 6,801,937</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Capital Leases -				
Courthouse Annex	<u>\$ 1,322,912</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,322,912</u>
E-911 Equipment		<u>243,771</u>		<u>243,771</u>
Total Other Resources	<u>\$ 1,322,912</u>	<u>\$ 243,771</u>	<u>\$ 0</u>	<u>\$ 1,566,683</u>
Total Assets and Other Resources	<u>\$ 7,794,413</u>	<u>\$ 487,779</u>	<u>\$ 86,428</u>	<u>\$ 8,368,620</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases:				
Courthouse Annex (Note 4A)	\$ 1,354,000	\$	\$	\$ 1,354,000
E-911 Equipment (Note 4B)		243,771		243,771
Revolving Benefits Account	<u>186,417</u>			<u>186,417</u>
Total Liabilities	<u>\$ 1,540,417</u>	<u>\$ 243,771</u>	<u>\$ 0</u>	<u>\$ 1,784,188</u>
<u>Equity</u>				
Fund Balances:				
Reserved	\$	\$ 244,008	\$ 86,428	\$ 330,436
Unreserved	<u>6,253,996</u>			<u>6,253,996</u>
Total Equity	<u>\$ 6,253,996</u>	<u>\$ 244,008</u>	<u>\$ 86,428</u>	<u>\$ 6,584,432</u>
Total Liabilities and Equity	<u>\$ 7,794,413</u>	<u>\$ 487,779</u>	<u>\$ 86,428</u>	<u>\$ 8,368,620</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES

JESSAMINE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,926,728	\$ 764,977	\$ 777,720	\$ 180,123
Other Financing Sources:				
Transfers In		350,000	600,000	
Kentucky Advance Revenue Program	8,092,500			
Lease-Purchase Proceeds				
Total Cash Receipts	<u>\$ 17,019,228</u>	<u>\$ 1,114,977</u>	<u>\$ 1,377,720</u>	<u>\$ 180,123</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,471,010	\$ 1,118,127	\$ 1,378,286	\$ 190,163
Other Financing Uses:				
Transfers Out	2,178,049			
Capital Leases:				
Courthouse Annex -				
Principal Paid				
Interest Paid				
Management Fees				
Sheriff's Cruisers -				
Principal Paid	41,608			
Kentucky Advance Revenue Program				
Repaid	8,092,500			
Total Cash Disbursements	<u>\$ 16,783,167</u>	<u>\$ 1,118,127</u>	<u>\$ 1,378,286</u>	<u>\$ 190,163</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 236,061	\$ (3,150)	\$ (566)	\$ (10,040)
Cash Balance - July 1, 2002	<u>5,692,987</u>	<u>63,351</u>	<u>79,154</u>	<u>196,199</u>
Cash Balance - June 30, 2003	<u>\$ 5,929,048</u>	<u>\$ 60,201</u>	<u>\$ 78,588</u>	<u>\$ 186,159</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

General Fund Type	Special Revenue Fund Type	
KACo Leasing Trust/Jessamine County Courthouse Annex Fund	Emergency Services Fund	Totals (Memorandum Only)
\$ 113,136	\$ 1,001,213	\$ 11,763,897
55,791	1,172,258	2,178,049
		8,092,500
	243,771	243,771
\$ 168,927	\$ 2,417,242	\$ 22,278,217
\$	\$ 2,225,803	\$ 11,383,389
		2,178,049
65,000		65,000
82,630		82,630
100		100
		41,608
		8,092,500
\$ 147,730	\$ 2,225,803	\$ 21,843,276
\$ 21,197	\$ 191,439	\$ 434,941
9,891	52,569	6,094,151
\$ 31,088	\$ 244,008	\$ 6,529,092

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND

JESSAMINE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
<u>Cash Receipts</u>	
Receipts - Jail Canteen	<u>\$ 155,164</u>
Total Cash Receipts	<u>\$ 155,164</u>
<u>Cash Disbursements</u>	
Expenditures - Jail Canteen	<u>\$ 156,235</u>
Total Cash Disbursements	<u>\$ 156,235</u>
Deficit of Cash Receipts Under Cash Disbursements	\$ (1,071)
Cash Balance - July 1, 2002	<u>\$ 87,499</u>
Cash Balance - June 30, 2003	<u><u>\$ 86,428</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmates	\$ 152,862
Other Receipts	2,302
Cash Paid to Suppliers	(82,728)
Cash Paid for Other Expenses	(59,923)
Inmate Account Refunds	<u>(13,584)</u>
Net Cash Used By Operating Activities	<u>\$ (1,071)</u>
Net Decrease in Cash	\$ (1,071)
Cash and Cash Equivalents - July 1, 2002	<u>87,499</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$ 86,428</u></u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Jessamine County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the KACo Leasing Trust/Jessamine County Courthouse Annex Fund as part of the reporting entity.

The KACo Leasing Trust/Jessamine County Courthouse Annex Fund was established by the Fiscal Court for the purpose of providing long-term financing for an approved project. A third party trustee maintains the Jail Construction Account on the Fiscal Court's behalf. Management must include the KACo Leasing Trust/Jessamine County Courthouse Annex Fund as a part of the reporting entity and their financial activity is blended with that of the Fiscal Court.

Additional - Jessamine County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Jessamine County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Jessamine County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Jessamine County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the KACo Leasing Trust/Jessamine County Courthouse Annex Fund.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Emergency Services Fund of the Jessamine County Fiscal Court is reported as a Special Revenue Fund Type.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Jessamine County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Jessamine County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the KACo Leasing Trust/Jessamine County Courthouse Annex Fund. In accordance with the Use and Sublease Agreement between the Administrative Office of the Courts (AOC) and the Jessamine County Fiscal Court, AOC is required to make its semi-annual use allowance directly to the Trustee's Sinking Account. The balance of the County's lease requirement is budgeted as transfers to the Sinking Account in the General Fund Type. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit. For the purpose of the statement of cash flows, management considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Jessamine County Fiscal Court: Jessamine Water District No. 1 and Jessamine/South Elkhorn Water District.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

The county, in conjunction with the City of Nicholasville, has created Nicholasville/Jessamine County Parks and Recreation, whose purpose is to provide, maintain and conduct public parks, playgrounds, and recreation centers. Nicholasville/Jessamine County Parks and Recreation is composed of five members appointed by the County Judge/Executive, with the approval of the fiscal court and five members appointed by the Mayor, with the approval of the city council. The county contributed \$210,000 to Nicholasville/Jessamine County Parks and Recreation for the year ended June 30, 2003. The county and city jointly own the Nicholasville/Jessamine County Parks and Recreation property.

H. Jointly Governed Organizations

The Jessamine County Economic Development Authority (JCEDA), whose purpose is to acquire and develop industrial sites and plant for the community, is a joint board of the county and city. The County Judge/Executive with approval of the fiscal court appoints three members and the Mayor with the approval of the city council appoints three members. The county has no equity interest. The county contributed \$55,000 to the JCEDA for the year ended June 30, 2003.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Lease Agreements

A. Courthouse Annex

On July 3, 1997, the Jessamine County Fiscal Court entered into a 20-year leasing agreement with Kentucky Association of Counties Leasing Trust for the Jessamine County Courthouse Annex. Principal payments are due annually by January 20.

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest plus Fees	Total Payment	Less AOC Rental Amount*	Net Amount Due From County
2004	\$ 68,000	\$ 78,694	\$ 146,694	\$ (112,600)	\$ 34,094
2005	72,000	74,558	146,558	(112,600)	33,958
2006	76,000	70,185	146,185	(112,600)	33,585
2007	80,000	65,575	145,575	(112,600)	32,975
2008	84,000	60,727	144,727	(112,600)	32,127
2009-2013	486,000	222,219	708,219	(563,000)	145,219
2014-2017	488,000	62,131	550,131	(450,400)	99,731
Totals	<u>\$ 1,354,000</u>	<u>\$ 634,089</u>	<u>\$ 1,988,089</u>	<u>\$ (1,576,400)</u>	<u>\$ 411,689</u>

In accordance with a sublease agreement between Administrative Office of the Courts (AOC) and the Jessamine County Fiscal Court dated July 3, 1997, AOC committed itself to participate in providing part of the costs of constructing a courthouse annex through use allowance payments of \$112,600 per fiscal year. Any interest earned on the Sinking Account where AOC deposits its use allowance payments until the Trustee applies them toward the lease requirements will reduce the net amount due from Jessamine County.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Lease Agreements (Continued)

B. E-911 Equipment

On March 12, 2003, Jessamine County Fiscal Court entered into a five year lease agreement for the purchase of E-911 equipment. Payments for interest and associated fees are due monthly and principal payments are due annually on January 20.

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest Plus Fees	Total Payment
2004	\$ 46,681	\$ 7,144	\$ 53,825
2005	47,700	5,644	53,344
2006	48,730	4,111	52,841
2007	49,790	2,545	52,335
2008	50,870	945	51,815
Totals	<u>\$ 243,771</u>	<u>\$ 20,389</u>	<u>\$ 264,160</u>

Note 5. Jessamine County Economic Development Authority/Hayden Steel Services, Inc.

During the fiscal year ended June 30, 2000, Jessamine County received \$698,263 of Community Development Block Grant money that was passed through to the Jessamine County Economic Development Authority for purchasing industrial equipment to be leased to Hayden Steel Services, Inc. Pursuant to a lease-purchase agreement dated June 29, 1999, between Jessamine County Economic Development Authority (subrecipient of the County's federal funds), and Haydon Steel Services, Inc., Haydon Steel Services, Inc. was to repay the entire \$698,263 through monthly rental payments to the Jessamine County Economic Development Authority at a rate of 2% per annum over a period of five years. Haydon Steel Services did not make any payments after April 2002. Outstanding principal as of June 30, 2003 was \$415,774.

Haydon Steel filed for Chapter 7 Bankruptcy prior to meeting the full job commitment requirements of the grant. Pursuant to the grant agreement, Haydon Steel was to hire a minimum of 36 new employees, with at least 51% of all jobs created being for persons from families of low and moderate income (LMI) as defined by the Kentucky Community Development Block Grant Program Guidelines. Haydon Steel only created 16 LMI jobs prior to closure. As a result, based on a settlement prepared by the Department for Local Government, which gave Jessamine County credit of \$35,000 per LMI job created by Haydon Steel, the County will be required to repay the Department for Local Government \$138,263.

In October 2003, an auction was held for the assets of Haydon Steel. The proceeds from the auction will be used to offset liabilities incurred by the county and the economic development authority. As of the audit date, the bankruptcy settlement has not been finalized.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 2003, Jessamine County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

JESSAMINE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 13,078,849	\$ 8,926,728	\$ (4,152,121)
Road and Bridge Fund	604,011	764,977	160,966
Jail Fund	948,738	777,720	(171,018)
Local Government Economic Assistance Fund	217,500	180,123	(37,377)
<u>Special Revenue Fund Type</u>			
Emergency Services Fund	<u>665,613</u>	<u>1,001,213</u>	<u>335,600</u>
Totals	<u>\$ 15,514,711</u>	<u>\$ 11,650,761</u>	<u>\$ (3,863,950)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 15,514,711
Add: Budgeted Prior Year Surplus			6,934,275
Less: Other Financing Uses			<u>(41,608)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 22,407,378</u>

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SCHEDULE OF OPERATING REVENUE

JESSAMINE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Revenue Categories</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
Taxes	\$ 6,237,009	\$ 6,168,919	\$ 68,090
Excess Fees	835,914	835,914	
Licenses and Permits	89,086	89,086	
Intergovernmental Revenues	2,563,441	2,563,441	
Charges for Services	1,095,365	186,375	908,990
Miscellaneous Revenues	800,857	777,934	22,923
Interest Earned	142,225	141,015	1,210
Total Operating Revenue	<u>\$ 11,763,897</u>	<u>\$ 10,762,684</u>	<u>\$ 1,001,213</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

JESSAMINE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 4,097,602	\$ 2,599,094	\$ 1,498,508
Protection to Persons and Property	1,468,929	1,343,275	125,654
General Health and Sanitation	608,131	523,601	84,530
Social Services	124,491	94,492	29,999
Recreation and Culture	2,466,256	1,801,701	664,555
Roads	1,550,301	1,135,812	414,489
Other Transportation Facilities and Services	27,050	22,050	5,000
Debt Service	92,392	2,546	89,846
Capital Projects	6,227,844	118,864	6,108,980
Administration	2,991,475	1,516,151	1,475,324
Total Operating Budget - General Fund Type	\$ 19,654,471	\$ 9,157,586	\$ 10,496,885
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	41,608	41,608	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 19,696,079</u>	<u>\$ 9,199,194</u>	<u>\$ 10,496,885</u>

JESSAMINE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 2,355,294	\$ 1,905,199	\$ 450,095
Debt Service	2,116	2,113	3
Administration	395,497	318,491	77,006
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 2,752,907</u>	<u>\$ 2,225,803</u>	<u>\$ 527,104</u>

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



CRIT LUALLEN
Auditor of Public Accounts

Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Jessamine County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jessamine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jessamine County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 23, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



CRIT LUALLAN
Auditor of Public Accounts

Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Jessamine County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Jessamine County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jessamine County's management. Our responsibility is to express an opinion on Jessamine County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jessamine County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jessamine County's compliance with those requirements.

In our opinion, Jessamine County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Jessamine County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jessamine County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 23, 2003

FINDINGS AND QUESTIONED COSTS

JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Jessamine County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Jessamine County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Jessamine County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Jessamine County reported in Part C of this schedule.
7. The program tested as a major program was: Highway Planning and Construction - Surface Transportation Program - Camp Nelson Restoration Project (CFDA #20.205).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Jessamine County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JESSAMINE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grants- Southeast Jessamine Rural Water Extensions Project (CFDA #14.228)	B-95-DC-21-0001(051)	\$ 48,771
<u>U.S. Department of Transportation</u>		
Passed-Through State Transportation Cabinet:		
Highway Planning and Construction - Surface Transportation Program Camp Nelson Restoration Project (CFDA #20.205)	Not Available	517,440
Keene Lodge Acquisition and Stabilization Project (CFDA #20.205)	Not Available	18,662
Passed-Through State Department for Local Government:		
Recreational Trails Program Camp Nelson Heritage Trail Project (CFDA #20.219)	Not Available	<u>35,000</u>
Total Cash Expenditures of Federal Awards		<u>\$ 619,873</u>

JESSAMINE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jessamine County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

JESSAMINE COUNTY FISCAL COURT


For The Fiscal Year Ended
June 30, 2003

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JESSAMINE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Jessamine County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


William Neal Cassity
County Judge/Executive


Tami Cravens
County Treasurer

